DESTINATION
BRITISH COLUMBIA™

2016/17
ANNUAL SERVICE PLAN REPORT

BRITISH
COLUMBIA

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Board Chair's Accountability Statement

On behalf of the Board of Directors of Destination British Columbia (Destination BC), I am pleased to present our *2016/17 Annual Service Plan Report* which reflects Destination BC's performance for the 12 months ended March 31, 2017. The content of this report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. During this performance period, Destination BC's operations have been consistent with the Taxpayer Accountability Principles.

British Columbia's tourism industry experienced another year of strong growth in 2016, with a 12.3 per cent increase in international visitor arrivals, and increases in accommodation occupancy and daily room rates across most of the province. Destination BC played an important role in this success, marketing B.C. domestically and internationally as a remarkable destination while promoting the development, enhancement and growth of the tourism industry throughout the province.

Destination BC is focused on achieving results: growing the tourism sector through high impact, innovative and creative marketing; enhancing the visitor experience; developing and maintaining strong collaborative relationships with the tourism industry, communities, First Nations and cross-government partners; and managing Destination BC with accountability, efficiency and effectiveness.

Key achievements, in our fourth year of operation, were: the continued roll-out of B.C.'s revitalized destination brand (*Super, Natural British Columbia*®) in global digital distribution channels; the launch of the destination development planning framework in eight areas around the province; the success of our new Co-operative Marketing Partnerships program; collaboration with the Aboriginal Tourism Association of BC (AtBC); and the completion of our refreshed 2017/18 - 2019/20 Corporate Strategy. These, and other highlights of the past year are outlined in the Report on Performance section of this report.

Destination BC's financial position is sound, with an operating surplus of $178,000 in 2016/17. Provincial government funding was $51.838 million with $50.323 million in base funding and an increase of $1.515 million to help support the Explore BC campaign and distribute funds related to the Tourism Events Program on behalf of the Ministry of Jobs, Tourism and Skills Training.

On behalf of the Board of Directors, I would like to thank management and staff for their dedication and contribution to the organization and its success. I would also like to thank the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour, along with ministry staff, for their on-going support to our organization during 2016/17.

The Destination BC *2016/17 Annual Service Plan Report* compares Destination BC's actual results to the expected results identified in the *2016/17 - 2018/19 Service Plan*. I am accountable for those results as reported.

Andrea Shaw
Board Chair

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Chair/CEO Report Letter

We are pleased to report that Destination BC completed all actions it was directed to undertake in the 2016/17 Mandate Letter. The Mandate Letter direction and Destination BC's actions are outlined in detail in Appendix B: Crown Corporation Mandate and Action Summary.

As per the Strategic Engagement Plan, regular communication took place in 2016/17 between Destination BC and the Ministry of Jobs, Tourism and Skills Training in order to ensure ongoing alignment with ministerial direction, the 2016/17 Mandate Letter and the Taxpayer Accountability Principles. This included quarterly meetings of the Minister and Chair, regular meetings between the Deputy Minister and CEO, and monthly meetings of the Associate Deputy Minister and Vice Presidents to discuss strategic priorities, performance measures and emerging opportunities. In addition, weekly discussions between Government Communications and Public Engagement and Destination BC Corporate Communications were held to ensure alignment on emerging industry and public engagement opportunities. Destination BC has frequent meetings involving the CEO, Executive, Directors and all staff to ensure cross-enterprise alignment of day-to-day activities with the corporate strategy and business plan.

In 2016/17, ongoing communication about the Taxpayer Accountability Principles for Destination BC's Board of Directors, Executives and staff took place, including:

- Conflict of Interest training for Board and Executive, delivered by the Associate Deputy Minister of Finance, during their quarterly meeting in January 2017;
- The inclusion of Taxpayer Accountability Principles training materials into orientation packages for new Board and staff members;
- Information and Privacy training for staff, delivered by the Acting Commissioner, Office of the Information and Privacy Commissioner in January 2017;
- Standards Of Conduct training for new staff during onboarding as well as regular review by existing staff; and
- Board review and approval of corporate Human Resources policies and procedures during their quarterly meeting in May 2016.

In addition, we improved transparency and accountability to industry stakeholders and the public by communicating our strategy and activities through the corporate website and social media channels, and a monthly newsletter.

Destination BC successfully delivered on the direction given in the 2016/17 Mandate Letter, to execute our corporate strategy and business plan, leading to a record-breaking year for tourism, and to maximize the return on taxpayer resources entrusted to us. We are committed to increasing the social, cultural and economic benefits of tourism for all British Columbians by sharing the transformative power of B.C. experiences with the world.

Andrea Shaw
Board Chair

Marsha Walden
Chief Executive Officer

Purpose of the Organization

Tourism is a critical sector within B.C.'s economy. Released by BC Stats in December 2016 for 2015, the tourism industry generated $15.7 billion in revenue, an increase of 5.3 per cent over 2014. In addition, tourism contributed $7.4 billion to provincial GDP and employed over 127,700 people. The tourism industry also generates social and cultural benefits for all British Columbians.

The tourism sector is comprised of thousands of businesses hosting millions of consumers, some of whom only visit once, while others visit many times. Destination BC, operating under the *Destination BC Corp. Act*, plays a critical role in:

- Maximizing long term industry growth by providing a unifying and consistent brand, and marketing strategy for the tourism sector that motivates travellers from around the world to visit, and encouraging B.C.'s residents to travel within their province.
- Providing leadership and direction for the expansion and strengthening of B.C.'s tourism products and experiences, including Aboriginal cultural tourism. Destination BC delivers branding, marketing and destination development activities directly and through contracted third parties, such as B.C.'s Regional Destination Marketing Organizations (RDMOs).

In September 2011, the provincial government released *Canada Starts Here: the BC Jobs Plan*, followed by six progress reports and an updated plan released in January 2017. It identifies nine sectors, including tourism, where B.C. has a strategic competitive advantage. ***Gaining the Edge***, the Province's tourism strategy, provides the context for Destination BC's *Corporate Strategy and Marketing Plan* and the revitalized ***Super, Natural British Columbia***® brand. In September 2015, Minister Shirley Bond released *Gaining the Edge: 2015 – 2018*, an update to the original Provincial strategy.

Strategic Direction and Context

Destination BC's corporate strategy aligns with its mandate, articulated in the *Destination BC Corp. Act*, and with its 2016/17 Mandate Letter, which outlined direction that reinforced its strategic priorities for 2016/17. Additionally, provincial public sector organizations in B.C., including Destination BC, operate under the government's Taxpayer Accountability Principles which strengthen accountability, promote cost control and ensure organizations operate in the best interest of taxpayers.

Destination BC divested itself of the **WorldHost** Training Services program, and is working with communities to develop future pathways for the British Columbia Visitor Centre Program, to increase focus on its core priorities of marketing the province domestically and internationally as a tourist destination and promoting the development and growth of tourism experiences in British Columbia, which is also important for rural economic development, investment and job creation. In 2016/17, Destination BC introduced the Co-operative Marketing Partnerships Program to create marketing opportunities for consortia of three or more communities and sector associations, as well as the Visitor Services Innovation Fund to test and document new, innovative approaches to providing visitor services.

Over the long run, the growth of the tourism industry is the key indicator of success of the

Province's tourism strategy and Destination BC. However, year-to-year there are many factors, both positive and negative, that may affect the industry's performance. In 2016/17 these included:

- An increase in air travel capacity from Japan, China, Australia and Mexico, which led to increased visitation from these markets and demonstrated the importance of adequate air access;
- Elimination of visa requirements for Mexican visitors in December 2016;
- Lingering impacts of the depreciation of the Canadian dollar against the US dollar, which made domestic travel more appealing to Canadians and attracted American visitors, but significantly increased the cost of marketing in the US;
- The continuing low price of oil has decreased the cost of travel to and within B.C. but negatively impacted the economy of Alberta, one of our largest source markets;
- Uncertainty about the impacts of Brexit on the British and European economies and travel patterns; and
- Significant changes in policies under the United States' new federal administration which may affect the global economy and travel or Canada/US relations.

Report on Performance

Destination BC completed all actions identified in the 2016/17 Mandate Letter. The Mandate Letter direction and Destination BC's actions are described in detail in Appendix B: Crown Corporation Mandate and Action Summary.

Destination BC evaluates all of its activities through the lens of the Taxpayer Accountability Principles. For 2016/17, this included:

- Implementation of the evaluation plan which assesses the organization's health and performance against the Taxpayer Accountability Principles and quarterly reviews with the Minister and Chair;
- Continued monitoring of accountability and performance measures in order to meet mandate, operations and resource targets;
- Conducting a stakeholder survey to address the principles of accountability, service and respect; and,
- Addressing the principle of integrity by incorporating Standards of Conduct training into orientation process for all new hires.

Goals, Strategies, Measures and Targets

Destination BC is focused on achieving the following results: growing the tourism sector through high impact, innovative and creative marketing; enhancing the visitor experience; developing and maintaining strong collaborative relationships with the tourism industry, communities, First Nations and cross-government partners; and managing Destination BC with accountability, efficiency and effectiveness.

Key achievements, in the 2016/17 operational year were:

- Brand Marketing: Roll-out of the brand continued globally across all of Destination BC's marketing activities, as well as all regional marketing activities. This included:
  - 23 new photo shoots, including six ski resorts. Additionally, filming took place in many locations, resulting in hours of b-roll footage. By working with partners and through Destination BC direction, approximately 500 new visual assets to market B.C. to travellers are now available to B.C.'s tourism industry.
  - An innovative series of 360° videos, immersive Google Street View footage and interviews with tourism operators across B.C., produced through the new Google Trekker program, showcases almost 1000 km of B.C. trails, wilderness hikes, and natural experiences. BC is among the world's early adopters in embracing this technology and will be capitalizing on the powerful reach of Google Maps' approximately one billion monthly users who will have the opportunity to see the diverse 360° footage of British Columbia.
  - Developing self-serve tools (brand guidelines online and a brand webinar) and supporting brand-adoption for 24 community and sector groups.
  - Destination BC's domestic marketing campaign has garnered over 2 million uses of #ExploreBC in social media, sharing our remarkable travel experiences with the world.

- Destination Development: Destination BC provides program funding and oversees the preparation of destination development strategies around the province. During 2016//17, Destination BC worked in partnership with the Ministry of Jobs, Tourism and Skills Training and the Regional Destination Marketing Organizations (RDMOs) to create destination development strategies for eight planning areas around the province as part of the two-year plan to create destination development strategies for the entire province. The planning process relies on strong government and private sector collaboration and alignment on shared tourism priorities to support the development of compelling experiences around the province, including aboriginal tourism experiences, and to elevate B.C. as both a travel and investment destination. Preliminary identification of provincial destination development priorities was drafted in 2016/17, supporting key goals in *Gaining the Edge*.

- Co-operative Marketing Partnerships Program: Destination BC received an enthusiastic response to the new application-based Co-operative Marketing Partnerships Program (Co-op Program). The organization received 66 applications with a request for funds of $4.68 million dollars. Destination BC was able to fully deploy its $3.4 million budget to successful applicants, including 59 Sector and Community Consortia participants involving 140 communities across B.C. Destination BC funds are partnered with funds from the Communities and Sectors for consumer based marketing to drive tourism revenue and increase public/private partnerships.

- Municipal and Regional District Tax Program (MRDT): Destination BC worked in partnership with the Ministry of Finance and the Ministry of Jobs, Tourism and Skills Training to assist 23 designated recipients (i.e. municipalities, regional districts, eligible entities) to implement or renew the MRDT, or to seek an increase from two to three per cent. Moreover, Destination BC assisted in the successful implementation and review of the new annual performance management and reporting requirements with all 51 designated recipients submitting the required One-Year Tactical Plans and Budgets, and Annual Financial Reports. The Destination BC MRDT team has further shared the activities

contained within the One Year Tactical Plans with relevant internal program areas to facilitate increased collaboration and alignment within B.C.'s tourism ecosystem.

- Regional Destination Marketing Organization (RDMO) Agreements: Destination BC and the five RDMOs signed two-year service agreements starting April 1, 2016 that are tailored to the needs of each region, provide funding certainty, and define vital new roles in order to reduce duplication in the provincial Destination Marketing Organizations (DMOs) system.

- Overseas Marketing Highlights: Destination BC partnered with Destination Canada and other provincial Destination Marketing Organizations (DMOs) on content marketing campaigns in the UK, Germany, Australia, China, Japan and Mexico, which included websites, offline and online advertising, social media, public relations and which supported tour operators as the call to action to capture sales. The organization also developed over 115 marketing promotions with key international tour operators.
  - The virtual reality video "The Wild Within" and the Ski 360° experience have been showcased in all major travel trade and media shows and events globally attended by Destination BC representatives. As YouTube now offers 360° capabilities, these videos are easily available to consumers through desktops and mobile phones to enjoy a similar experience.

- Social Media Strength: With over 2 million uses of #exploreBC on Instagram and Twitter (by residents and visitors), Destination BC is proud to see strong pride of place and increasing advocacy for our destination. The organization continues to lead competitors in terms of "share of voice" for hashtag usage. Destination BC also increased its social media community of brand advocates to over 950,000 in key consumer-facing social channels, including: over 395,000 on Facebook, over 120,000 on Twitter and over 300,000 on Instagram.

- Travel Media Outreach: The organization hosted over 550 press trips (including supporting industry through the Visiting Journalist Program) from all key markets to generate earned media awareness for B.C. As a result, B.C. received coverage from major media such as: *The Sydney Morning Herald* Blogs (Australia), *Vogue Deutsch* (Germany), *Daily Mail* (UK), *National Geographic* (China), *CREA Traveller Magazine* (Japan), *Imagica TV* (Japan), *Travie Magazine* (Korea), *Conde Nast India* (not published yet), *LA Times, San Francisco Chronicle, Sunset Magazine, Powder Magazine, Outside Magazine, Vogue, Amazing Race Canada,* and many others.

- Remarkable Experiences Program: Remarkable Experiences is an innovative program designed to support new tourism experience development and digital and social media marketing excellence, by providing small and medium size tourism operators with the tools and resources needed to achieve these goals.
  - The program was piloted in 2015/16, and key learnings from the pilot, including curriculum enhancements, were applied to the 2016/17 program.
  - The program was offered in six communities in five tourism regions to 117 small and medium sized operators – up from 38 participants in the original pilot program.

- Visitor Services Network Program: Community visitor centres across B.C. provided service to over 2.58 million visitors and interacted with a further 320,000 visitors through new "roaming ambassadors" and "mobile street team" programs.
  - Destination BC provided $300,000 to support 52 projects across B.C. with the launch of the Visitor Services Innovation Fund, to test and document new, innovative approaches to

providing visitor services such as mobile kiosks, roaming visitor counsellors, state-of-the-art touch screen kiosks and social media channels.

- Destination BC's social media Visitor Services Program provides an innovative way to connect with travellers online and provide the same level of exceptional service that people are experiencing in Visitor Centres. There are 31 Visitor Services teams in the program across the province using digital and social media technology to proactively connect with travellers.
- In September 2015, Destination BC introduced a stable, three-year base funding commitment (2016, 2017, and 2018) to enable better long-term business planning for Visitor Centres in the Visitor Services Network.

The following section reports on 2016/17, 2017/18 and 2018/19 targets from the 2016/17-2018/19 Service Plan. Note: some future targets for 2017/18 and 2018/19 have been revised in Destination BC's published 2017/18-2019/20 Service Plan.

Goal 1: Lead Canada in growth of overnight visitor expenditures: assist industry to increase revenue by attracting more visitors.

STRATEGIES	PERFORMANCE MEASURES	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	2017/18 TARGET	2018/19 TARGET
Inspire travel to B.C. by amplifying and strengthening B.C.'s world-wide reputation.	Serious intent to visit B.C. from key North American markets.	NA	35.2%	33.8%	33.4% (1)	28.8% (a)	34.2%	34.4%
	B.C.'s share of those with serious intent to visit Canada from key oversees markets.	32.8%	34.4%	36.1%	36.0% (1)	58.6% (b)	37.7%	37.9%
	Travel trade operators' evaluation of Destination BC	8.5 (out of 10)	8.0	8.2	8.5	8.2 (c)	Improve	Improve
Engage with travellers online to increase brand engagement and advocacy.	Size of Destination BC's global social media community of brand advocates.	308,900	419,664	758,126	900,000	999,782	1.1M	1.3 M

Data Sources: Destination BC, Destination Canada and Corporate Stakeholder Survey (Conducted by 3rd party independent survey firm).

1. These figures reflect correction of a typographical error made in the 2016/17 – 2018/19 Service Plan (released in February 2016) and corrected in the 2015/16 ASPR (released in June 2016).

Discussion:

The following points explain variances in the 2016/17 Actual results in the above table:

a. The decline in intent to visit reflects a general trend in intent to visit B.C. and key competitors from our key North American markets. B.C.'s rank in terms of serious intent compared to our key competitors remained unchanged from 2015/16.

b. This value is derived from the Global Tourism Watch study administered by Destination Canada. The study underwent a major revision for 2016. Respondents are now able to select more than one province when indicating which Canadian travel destinations they are likely to visit. In the previous iteration of the study respondents could select only one province, thus results are not directly comparable.

c. During 2016/17 Destination BC consciously decided not to increase its investment in the Travel Trade channel, which is declining in importance, in favour of increased investment in on-line travel agencies, a channel growing in importance. While the Travel Trade operators evaluation of Destination BC of 8.2 out 10 shows strong satisfaction with the corporation, the fact that it did not increase over 2015/16 reflects Destination BC's gradual strategic shift away from this channel.

To increase tourism industry revenue new visitors have to be inspired to seriously consider British Columbia and then they have to be connected with tourism businesses to book accommodations, tourism activities and other products. In 2016/2017, Destination BC continued three key marketing strategies to achieve this and contribute to the province's goal of increasing tourism revenue. These are:

- Captivate: create emotional urgency and serious intent to visit British Columbia;
- Advocate: amplify travellers' advocacy for British Columbia as a destination among their family, friends and peers, thus inspiring new visitors and increasing frequency of repeat visitors; and
- Generate: produce leads for tourism businesses and the travel trade to sell British Columbia to visitors and close the sale.

Our Captivate initiatives aimed to attract more visitors and increase potential visitors' awareness, interest and sense of urgency to visit British Columbia. Destination BC's marketing team focussed on inspiring travel to B.C. from its core markets. In our overseas markets, we invested in consumer-direct advertising programs with Destination Canada and travel trade tour operators, and we promoted key experiences and products that are relevant in each market. To measure success in captivating potential visitors we tracked changes in "serious intent to visit B.C." from our key overseas markets (Germany, UK, Australia, China and Japan) and from our key North American markets (Washington, California, Alberta, Ontario and B.C.).

Our Advocate initiatives supported traveller advocacy that drives increases in visitation, booking and revenue. Word-of-mouth referrals and recommendations are the most powerful marketing tool in the travel industry and influence 90 per cent of all trips. Social media is particularly influential during a traveller's inspiration stage and as a resource for the discovery, research and planning stages. We continued to drive visitation to B.C. by amplifying the power of peer-to-peer sharing and recommendations to influence potential travellers to visit B.C., thereby increasing our reach and impact. For this reason, we measured the size of Destination BC's social media community globally on Facebook, Instagram and Twitter.

Once interest was captured, Destination BC then facilitated purchases by connecting visitors directly, or through third parties, to B.C.'s tourism products and services under our Generate initiatives. In overseas markets, travel trade (i.e. tour operators) is fundamental in the promotion of B.C. and creation of bookings – therefore Destination BC worked closely with these partners. We want to establish B.C. as an excellent, leading partner for this important sales channel. An annual survey to this group helped determine the strength of our partnerships, as evaluated by these stakeholders.

Goal 2: Remarkable Guest Experiences: assist industry to deliver a world-class guest experience and secure the highest Net Promoter Score® in North America for British Columbia.

STRATEGIES	PERFORMANCE MEASURES	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	2017/18 TARGET	2018/19 TARGET
Improve the guest experience through integrated visitor information services.	Visitor satisfaction with visitor information services.	NA	NA	90.9%	Improve	90.4% (a)	Maintain or Improve	Maintain or Improve
Assist tourism businesses to meet and exceed guest needs and expectations.	Net Promoter Score of visitors to British Columbia. (1)	62.7 (max. 100)	68.3	63.3	Improve by 0.5 pts.	58.3 (b)	Improve by 0.5 pts.	Improve by 0.5 pts.
	Net Promoter Score of participants in Remarkable Experiences Program.	NA	NA	Establish Baseline	Improve	NA (c)	NA	NA

Data Sources: Destination BC and 3rd party independent research firms.

1. The Net Promoter Score® measures the likelihood of visitors to recommend B.C. to their friends or family. Note: NPS scale is from -100 to 100.

Discussion:

The following point explains variance in the 2016/17 Actual results in the above table:

a. The decrease of 0.5 per cent seen is not a meaningful change. The per cent change is too small to be deemed a true decline. The decline is due to a variation of visitors sampled to estimate visitor satisfaction.
b. The decline in Net Promoter Score reflects a general trend of declining Net Promoter Scores for B.C. and key competitors from our key North American markets. B.C.'s rank in terms of Net Promoter Score compared to our key competitors remained unchanged. The decline in NPS for B.C. appears to be also partly the result of increased hotel rates and rainier weather in 2016 in B.C.
c. The Remarkable Experiences Program was revised following the pilot to allow businesses to enter the program at different points during the year. This flexibility makes it impractical to measure the Net Promoter Score of a business' clients because the decision to enter the program may be made after the high season for the business has passed, meaning that clients are not available to be surveyed. Therefore the performance measure and baseline were revised in the 2017/18-2019/20 Service Plan (released in February 2017).

The delivery of outstanding experiences for guests from around the world, as well as British Columbians travelling within the province, is critical in order to achieve higher revenues. These experiences result in increased visitor spending, longer stays, repeat visits and recommendations.

The objective of the 2016 Visitor Information Services Satisfaction Survey was to measure B.C.'s visitor satisfaction as it relates to Destination BC's information sources, most notably the HelloBC.com website and services provided by the Visitor Centres Network in B.C. This is the second annual survey, and 90.4 per cent of respondents indicated that they agree or strongly agree that they were satisfied with the information services received while on their trip in

B.C. Destination BC's target is to maintain or improve; feedback from this survey will be reviewed and may inform us of potential changes in future service delivery.

The Remarkable Experiences Program is designed to support B.C. tourism operators in developing and delivering outstanding, visitor-focused experiences while enhancing their digital and social media marketing efforts. As a result, tourism businesses will have the tools needed to attract more visitors, deliver exceptional experiences, and gain a competitive advantage. Based on learnings from the program pilot, the curriculum was enhanced and the program was offered in six communities in five tourism regions from October 2016 to June 2017.

Goal 3: Create a Powerful Marketing Network: collaborate with stakeholders, partners and communities to align and focus collective efforts, amplify British Columbia's marketing message in a competitive global marketplace and use resources more effectively for destination development.

STRATEGIES	PERFORMANCE MEASURES	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	2017/18 TARGET	2018/19 TARGET
Strengthen relationships with key industry stakeholders and cross-government partners.	Tourism businesses' satisfaction with Destination BC programs and services.(1)	6.62 (out of 10)	6.86	7.00	7.27	Improve	Improve
Work with regional and community organizations to create and implement regional tourism development strategies.	Progress on developing and implementing regional tourism development strategies.	N/A	Planning process in place. Strategy development in all regions starting in early 2016/17.	6 community cluster development strategies completed. Preliminary identification of provincial destination development priorities completed.	8 planning area destination development processes initiated and 4 destination development processes completed. Preliminary identification of provincial destination development priorities (a)	Phase 2 destination development strategies completed. Provincial destination development priorities updated.	Provincial destination development strategy implemented Implementation measures TBD (2)

Data Sources: Destination BC and 3rd party independent research firm

1. Tourism businesses comprise one of the six strata whose satisfaction is tracked through the corporate stakeholder survey. Scores of the other strata are reported elsewhere and used to inform corporate planning and program evaluation.
2. This measure will link with the provincial destination development framework, which is currently under development.

Discussion:

The following point explains variance in the 2016/17 Actual results in the above table:

a. Initial program implementation was delayed and processes were extended to maximize stakeholder participation. Development processes were initiated in 2 more planning areas than targeted. At the time of writing the 2017/18-2019/20 Service Plan Service Plan sub-provincial strategies were referred to as 'community clusters'. While the program approach has not changed, terminology has been clarified to reflect stakeholder feedback; sub-provincial strategy areas are now referred to as 'planning areas'.

To ensure that Destination BC delivers programs and activities that provide value for tourism sector stakeholders across six strata (DMOs, Industry Associations and Organizations, Travel Trade, Visitor Centres, Travel Media, and Tourism Businesses), an independent third-party survey of industry stakeholders is conducted at the end of each fiscal year. This survey allows Destination BC to evaluate and improve the quality of programs and services delivered and the effectiveness of communications with stakeholders.

A key objective of Destination BC is to increase collaboration, coordination and alignment in marketing and destination development activities across the B.C. tourism industry. One approach that Destination BC takes to achieve this is to use its marketing funds to leverage and align private and public sector funding.

Destination BC received an enthusiastic response from industry for participating in the Co-op Program. Industry requested $4.68 million in funding for marketing opportunities with consortia (three or more communities coming together) and sectors. Destination BC's $3.4 million budget was partnered with $4.3 from industry, totaling a $7.7 million collective investment in consumer marketing to the B.C., Alberta and Washington markets. Destination BC worked with 27 of these applicants initially to find opportunities for these marketing efforts to align with the *Super, Natural British Columbia*® brand.

In the last year, Destination BC worked in partnership with the Ministry of Jobs, Tourism and Skills Training and RDMOs on the creation of destination development strategies to enhance tourism experiences, businesses and jobs in eight planning areas across the province. The original target was six completed strategies, and while each planning process follows a semi-structured planning framework, the pace at which an area moves through the process is influenced by factors such as stakeholder availability. Given the greater than anticipated variability in timelines and strong support from program partners and tourism industry stakeholders, eight planning processes were initiated, rather than six, and four were completed. These planning processes consider the unique opportunities and needs of each planning area and will inform the creation of a provincial destination development strategy as more planning area strategies are completed in the coming year. Destination BC and partners recognize that a strategic approach to destination development is critical to ensure that all regions and communities of the province are able to take full advantage of the opportunities that global tourism offers them today and in the future.

We also promoted alignment of provincial, regional and community actions and investments, and the achievement of regional and community economic priorities and needs, including Aboriginal tourism, through a number of other activities, including: sharing market intelligence and business plans; improving access to data collection and management platforms; providing access to marketing tools (such as the Destination Canada's Explorer Quotient®); and proactively promoting cooperation and information-sharing at all levels on a regular and ongoing basis.

Goal 4: Business Efficiency: conduct our business efficiently in a changing environment.

STRATEGIES	PERFORMANCE MEASURES	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	2017/18 TARGET	2018/19 TARGET
Ensure cost effective provision of support services that meet business requirements.	Percentage of Destination British Columbia funds allocated to support services.	9.0%	8.5%	8.4%	<10%	7.3%	<10%	<10%
Data Source: Destination BC Annual Financial Statements (Corporate Services).								

Discussion:

Destination BC must maximize funds for tourism marketing and development through innovation, and the careful management of human and financial resources. Monitoring corporate support costs provides an indicator of cost containment, conforms to the Taxpayer Accountability Principles of cost consciousness, and informs the business operations decisions of senior management and the Board of Directors. Support services costs include accounting operations, facilities, administration, human resources, and Chief Executive Officer's office and Board's expenses. In 2016/17, support services were 7.3 per cent of the annual operating expenses, positively exceeding past performance and meeting the 2016/17 target of less than 10 per cent. Strategically lowering support services costs increases the funds available for tourism marketing and destination development programs.

Goal 5: Our People – Build a Collaborative, Insight-Driven, Results-Focused Team.

STRATEGIES	PERFORMANCE MEASURES	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	2017/18 TARGET	2018/19 TARGET
Attract, retain and develop highly skilled and engaged people.	Employee engagement	3.53 (out of 5)	3.91	4.10	4.10	4.12	4.20	4.25
Data Source: Annual Employee Engagement Survey executed by a 3rd party independent survey firm.								

Discussion:

The long-term success of Destination BC depends on talented and engaged employees dedicated to the success of the organization and its goals to strengthen the tourism industry. The annual evaluation of employee engagement assists the Board of Directors and senior management in identifying opportunities to build employee engagement and ensures the creation and maintenance of a thriving workplace. Engagement continued to increase and most employees reported being inspired by Destination BC to do their best work.

Financial Report

Discussion of Results and Financial Summary Table

2016/17 was Destination BC's fourth year of operation. Following operating surpluses of $209,000 in 2013/14 and $101,000 in 2014/15, and $57,000 in 2015/16, Destination BC had a 2016/17 operating surplus of $178,000. This resulted in an accumulated operating surplus of $545,000 as identified in Destination BC's Statement of Operations.

Variance and Trends Analysis
Additional provincial government transfers increased the funding to $51.838 million. This included $1.415 million for distribution to successful applicants in government's Tourism Events Program (TEP), which supported such high-profile events as the Women's and Men's World Rugby Sevens Series, the Penticton Multisport World Championships, and the Rockin' River Music Festival. Additional funding of $100,000 was also received for the Explore BC marketing campaign.

The funding for the Tourism Events Program was $745,000 higher than last year with offsetting expenses in Destination and Industry Development supporting government's TEP. The funding for Explore BC was $260,000 lower than last year.

Capital expenditures were $942,000 lower than budget as Destination BC, along with its tourism partners, developed a digital strategy and roadmap to be implemented in 2017/18.

Risks and Uncertainties
Destination BC is primarily funded through provincial government appropriations. As described in the 2016/17-2018/19 Service Plan, Destination BC allocates this funding to programs that deliver on its mandate.

Destination BC is subject to financial pressures resulting from the increasing costs of digital marketing world-wide and the impact of the depreciation of the Canadian dollar on the cost of marketing in the US and other international markets. These pressures are managed by investing in continual improvement of workforce productivity, developing innovative new marketing partnerships and efficient program delivery.

Financial results for the year ended March 31, 2017:

$ millions	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Actual	2016/17 Variance	2015/16 - 16/17 Variance
Total Revenue (000)							
Government transfers	48.890	50.974	52.054	50.323	51.838	1.515	(0.216)
Deferred government contributions	0.406	0.442	0.572	0.751	0.579	(0.172)	0.007
Other revenue	3.347	3.256	1.175	0.616	0.735	0.119	(0.440)
Total Revenue	**52.643**	**54.672**	**53.801**	**51.690**	**53.152**	**1.462**	**(0.649)**
Total Expenses (000)							
Marketing	25.844	28.659	33.808	32.410	32.076	0.334	1.732
Destination & Industry Development	22.220	18.999	13.079	12.938	14.510	(1.572)	(1.431)
Research, Strategy & Communications	1.152	2.044	1.816	1.940	1.965	(0.025)	(0.149)
Corporate Services	2.812	4.427	4.469	3.651	3.844	(0.193)	0.625
Amortization	0.406	0.442	0.572	0.751	0.579	0.172	(0.007)
Total Expenses	**52.434**	**54.571**	**53.744**	**51.690**	**52.974**	**(1.284)**	**0.770**
Net Income from Operations	**0.209**	**0.101**	**0.057**	**0**	**0.178**	**0.178**	**0.121**
Capital Expenditures	**2.314**	**0.475**	**0.069**	**0.942**	**0**	**0.942**	**0.069**
Total Liabilities	**12.530**	**12.993**	**8.933**	**5.331**	**8.011**	**(2.680)**	**0.922**
Accumulated Surplus / Retained Earnings	**0.209**	**0.310**	**0.383**	**0.383**	**0.561**	**0.178**	**0.178**

Management's Report

Management's Report

Management's Responsibility for the Destination BC Corp. Financial Statements

The Destination BC Corp. financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the Destination BC Corp. financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the Destination BC Corp financial statements. A summary of the significant accounting policies are described in Note 2 to the Destination BC Corp. financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal Destination BC Corp. financial statements on a quarterly basis and external audited Destination BC Corp. financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the Destination BC Corp. financial statements.

The external auditors, Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the Destination BC Corp. financial statements. The external auditors have full and free access to financial management of Destination BC Corp. and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Destination BC Corp. financial statements.

On behalf of Destination BC Corp.

Marsha Walden
Chief Executive Officer

Dean Skinner
Chief Financial Officer

May 12, 2017

Auditor's Report

OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Destination BC Corp., and
To the Minister of Jobs, Tourism and Skills Training, Province of British Columbia

I have audited the accompanying financial statements of the *Destination BC Corp.* ("the entity"), which comprise the statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows, and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion
As described in Note 2e to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to

recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred capital contributions of $870,000 an understatement of accumulated surplus of $1,449,000, and a current year overstatement of revenue of $579,000. Accordingly, the current year surplus is overstated by $579,000 and net debt is overstated by $870,000.

Qualified Opinion
In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Destination BC Corp. as at March 31, 2017, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Russ Jones

Victoria, British Columbia
May 15, 2017

Russ Jones, FCPA, FCA
Deputy Auditor General

OFFICE OF THE
Auditor General
of British Columbia

Audited Financial Statements

Destination BC Corp.
Statement of Financial Position
($000s)

	Note	March 31, 2017	March 31, 2016
Financial assets			
Cash and cash equivalents	3	7,288	6,794
Accounts receivable	4	269	507
Due from Ministry of Jobs, Tourism and Skills Training		62	350
		7,619	7,651
Liabilities			
Accounts payable and accrued liabilities	5	5,121	5,195
Due to the Public Service Agency		1,090	1,359
Deferred capital contributions	7	1,800	2,379
		8,011	8,933
Net financial debt		(392)	(1,282)
Non-financial assets			
Tangible capital assets	8	852	1,431
Prepaid expenses		101	232
Security deposits		0	2
		953	1,665
Accumulated surplus		561	383
Accumulated surplus is comprised of:			
Accumulated operating surplus		545	367
Accumulated remeasurement gains		16	16
		561	383
Contractual obligations	9		

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Signature
Andrea Shaw, Board Chair

Signature
Laird Miller, Chair, Finance & Audit Committee

Destination BC Corp.
Statement of Operations
[$000s]

	Note	Budget (Note 14)	March 31, 2017	March 31, 2016
Revenues				
Government transfers	11	50,323	51,838	52,054
Program revenue	15	616	578	1,002
Interest income		0	141	153
Gains on Foreign Exchange		0	16	20
Capital contribution	7	751	579	572
		51,690	53,152	53,801
Expenses	12			
Global Marketing		32,410	32,076	33,808
Destination and Industry Development		12,938	14,510	13,079
Research, Strategy and Communications		1,940	1,965	1,816
Corporate Services	13	3,651	3,844	4,469
Amortization		751	579	572
		51,690	52,974	53,744
Annual operating surplus		0	178	57
Accumulated operating surplus, beginning of year		310	367	310
Accumulated operating surplus, end of year		310	545	367

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Destination BC Corp.
Statement of Remeasurement Gains and Losses
[$000s]

	March 31, 2017	March 31, 2016
Opening balance	16	10
Unrealized gains on foreign bank accounts	16	26
Amount of foreign exchange reclassified to the Statement of Operations	(16)	(20)
Accumulated remeasurement gains, end of year	16	16

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Destination BC Corp.
Statement of Change in Net Financial Debt
[$000s]

	Budget	March 31, 2017	March 31, 2016
Annual operating surplus	0	178	57
Acquisition of tangible capital assets	0	0	(69)
Disposal of tangible capital asset	0	0	6
Amortization of tangible capital assets	751	579	572
	751	579	509
Acquisition of prepaid expenses	0	(101)	(232)
Use of prepaid expenses	0	232	377
Acquisition of security deposits	0	0	(2)
Use of security deposits	0	2	58
	0	133	201
Effect of remeasurement gains (losses) for the year	0	0	6
Decrease (increase) in net financial debt	751	890	773
Net financial debt at beginning of year	(1,282)	(1,282)	(2,055)
Net financial debt at end of year	(531)	(392)	(1,282)

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Destination BC Corp.
Statement of Cash Flows
[$000s]

	March 31, 2017	March 31, 2016
Operating transactions		
Surplus for the year	178	57
Cash and non-cash items included in surplus:		
Amortization of tangible capital assets	579	572
Deferred capital contributions – government	(579)	(572)
Effect of remeasurement gains (losses) for the year	0	6
Accounts receivable	238	19
Accounts payable and accrued liabilities	(74)	1,446
Deferred revenue	0	(2)
Prepaid expenses	131	144
Security deposits	2	56
Due to/from Ministry of Jobs, Tourism and Skills Training	288	(5,704)
Due to Public Service Agency	(269)	423
Cash provided (used in) by operations	494	(3,555)
Capital transactions		
Acquisition of tangible capital assets	0	(69)
Disposal of tangible capital asset	0	6
Increase (decrease) in cash and cash equivalents	494	(3,618)
Cash and cash equivalents at beginning of year	6,794	10,412
Cash and cash equivalents at end of year	7,288	6,794

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

1. Nature of Operations

Destination BC Corp. (the Corporation) is a provincial Crown corporation initially created under the *BC Business Corporations Act* on November 2, 2012, and subsequently confirmed under the *Destination BC Corp. Act*, which received Royal Assent in March 2013.

The Corporation reports to the Legislative Assembly through the Ministry of Jobs, Tourism and Skills Training. The accumulated operating surplus includes 1 issued share of Destination BC Corp., value $1, which is held by the Province of British Columbia.

The purposes of the Corporation are to:

a) market British Columbia domestically, nationally and internationally as a tourist destination;
b) promote the development and growth of the tourism industry in British Columbia to increase revenue and employment in, and the economic benefits generated by, the industry;
c) provide advice and recommendations to the minister on tourism-related matters; and
d) enhance public awareness of tourism and its economic value to British Columbia.

The Corporation commenced operations on April 1, 2013.

The Corporation is exempt from federal and provincial income taxes but is subject to the federal goods and services tax and provincial sales tax.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These Destination BC Corp. financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act (BTAA)* of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards.

b. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Websites, hardware and software	5 years

Assets under development are not amortized until the asset is available for productive use.

2. Summary of Significant Accounting Policies (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to Destination BC Corp.'s ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Destination BC Corp. statement of operations.

Intangible assets, such as copyrights, trademarks, etc. are not recognized in these financial statements.

c. Employee future benefits

i. The employees of Destination BC Corp. belong to the Public Service Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.
The joint trustee board of the plan determines the required plan contributions annually.

Destination BC Corp.'s contribution to the plan is recorded as an expense for the year.

ii. The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

iii. The cost of non-vesting sick leave benefits are determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

d. Prepaid expenses

Prepaid expenses include items which are charged to expenses over the periods expected to benefit from them.

e. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

2. Summary of Significant Accounting Policies (continued)

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability, including capital contributions which are recognized as revenue to match the amortization expense in accordance with Section 23.1 of the BTAA. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

f. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

g. Foreign currency translation

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

h. Cash and cash equivalents

Cash and cash equivalents are entirely funds in bank accounts and therefore subject to an insignificant risk of change in value, other than potential exchange gains or losses on the USD bank accounts as described in Note 10.

i. Financial instruments

Financial assets and financial liabilities are measured at cost or amortized cost.

2. Summary of Significant Accounting Policies (continued)

j. Measurement uncertainty

The preparation of Destination BC Corp. financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the Destination BC Corp. financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, provision for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the Destination BC Corp. financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these Destination BC Corp. financial statements. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

Destination BC Corp. had unrestricted cash consisting of the following:

	(in $ thousands)	
	March 31, 2017	March 31, 2016
Royal Bank of Canada - CAD	7,217	6,724
Royal Bank of Canada - USD	71	70
Total	7,288	6,794

4. Accounts Receivable

	(in $ thousands)	
	March 31, 2017	March 31, 2016
Accounts receivable	269	508
Less provision for doubtful accounts	(0)	(1)
Net Accounts Receivable	269	507

5. Accounts Payable and Accrued Liabilities

	(in $ thousands)	
	March 31, 2017	March 31, 2016
Accounts payables and accrued liabilities	4,683	4,765
Accrued vacation pay	438	430
Total	5,121	5,195

6. Employee Future Benefits

Destination BC Corp. and its employees are subject to the *Public Service Act* and benefits are managed through the Public Service Agency. Destination BC makes contributions to the PSA who administers payment of benefits to employees to whom the act applies.

Other employee benefits available to employees of Destination BC Corp. are:

a. Retirement benefits

The employees of Destination BC Corp. belong to the Public Service Pension Plan (the "Plan"), which is a multi-employer joint trustee plan. The Public Service Pension Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. Basic pension benefits are based on a formula. The Plan has about 57,700 active plan members, 44,800 retired plan members and 16,400 inactive members.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of $194 million for basic pension benefits. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

No pension liability is included in the Destination BC Corp. financial statements.

Destination BC Corp.'s contribution of $684 thousand (2015/16 - $704 thousand) to the Plan was expensed during the year.

b. Other employee future benefits

Workplace safety and insurance board obligations

Destination BC Corp. is an employer under the Workers Compensation Act part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Destination BC Corp. does not fund these obligations in advance of disbursement.

7. Deferred Capital Contribution

The deferred contribution consists of a capital contribution from the Province of British Columbia for the purpose of acquiring capital assets. The amount recorded as revenue matches the amortization expense for the year.

8. Tangible Capital Assets

(in $ thousands)

	Furniture and equipment	Websites, hardware and software	2017 Total
Opening Balance	69	2,826	2,895
Additions	0	0	0
Disposals	0	0	0
Closing balance	69	2,826	2,895
Opening balance	6	1,458	1,464
Amortization	14	565	579
Disposals	0	0	0
Closing balance	20	2,023	2,043
Net book value	49	803	852

(in $ thousands)

	Furniture and equipment	Websites, hardware and software	2016 Total
Opening Balance	9	2,826	2,835
Additions	69	0	69
Disposals	9	0	9
Closing balance	69	2,826	2,895
Opening balance	1	893	894
Amortization	7	565	572
Disposals	2	0	2
Closing balance	6	1,458	1,464
Net book value	63	1,368	1,431

9. Contractual Obligations

Destination BC Corp. has entered into a number of contractual arrangements for the delivery of services in the future, the development of assets, and property leases. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	(in $ thousands)					
	2018	2019	2020	2021	2022	Thereafter
Property leases	1,180	1,180	0	0	0	0
Other contractual arrangements	16,661	1,717	100	50	50	0
Total contractual obligations	17,841	2,897	100	50	50	0

10. Risk Management

Destination BC Corp. is exposed to certain risks from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from Destination BC's financial instruments is provided below by type of risk.

i) Foreign exchange risk

The carrying amount of Destination BC Corp.'s foreign currency denominated financial assets at March 31, 2017 is $71 thousand (2015/16 - $70 thousand).

The sensitivity of Destination BC Corp.'s operating surplus (deficit) and remeasurement gains (losses) due to change in foreign exchange rate between the Canadian dollar and US dollar can be summarized as follows:

A 5% change in USD exchange rate will have an impact on the remeasurement gains or losses of CDN$3,500.

ii) Interest rate risk

The sensitivity of Destination BC Corp.'s operating surplus (deficit) and accumulated remeasurement gains (losses) due to changes in the interest rate is minimal as it carries no debt.

11. Government Transfers

	(in $ thousands)	
	March 31, 2017	March 31, 2016
Revenue:		
Province of British Columbia*	51,838	52,054
Expenses:		
Shared cost agreements**	17,111	15,340
Tourism Events Program	1,415	670
	18,526	16,010

*includes $100,000 to fund ExploreBC marketing campaign (2015/16 $360,000) and $1.415M distribution to successful applicants in Government's Tourism Events Program (2015/16 $670,000).
**consolidated with transfers to Municipalities, local governments and Service providers.

12. Expenses

The following is a summary of expenses by category:

	(in $ thousands)	
	March 31, 2017	March 31, 2016
Government transfers - note 11	18,526	16,010
Advertising	8,370	9,398
Professional services	7,485	7,790
Salaries and wages	7,335	7,867
Information systems	3,401	3,279
Office and business	2,528	2,834
Rental expenditures	1,775	2,139
Employee benefits	1,769	1,842
Travel	579	707
Amortization	579	572
Support services	273	937
Materials and supplies	140	117
Other	127	186
Board expenses	71	66
Total expenses	52,958	53,744

As of March 31, 2017, Destination BC Corp.'s actual expenses did not exceed its legislated expenses limit.

13. Related Party Transactions

Destination BC Corp. is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

Destination BC Corp. had the following transactions with the government and other government controlled organizations:

	(in $ thousands)	
	March 31, 2017	March 31, 2016
Grants from the Province*	51,838	52,054
Amounts paid to the Ministry of Jobs, Tourism and Skills Training	0	700
Amounts paid or due to the Ministry of Finance:		
Payroll	9,099	9,709
Building Occupancy Costs	1,726	2,102
Information Technology Services	645	695
Legal Services	198	125
Visitor Experience Support	104	0
Postage, supplies, printing	72	27
Audit Fees	35	60
BC Stats	28	32
World Host Online Workshop	26	24
Insurance Premiums	22	24
Corporate Communications	12	13
International Travel Trade	10	0
Other (including bank charges)	5	5

*Grants from the Province include $100,000 to fund ExploreBC marketing campaign (2015/16 $360,000) and $1.415M distribution to successful applicants in Government's Tourism Events Program (2015/16 $670,000). The distribution of the Tourism Events Program funds is included as expenses under Destination and Industry Development in the Statement of Operations.

14. Budgeted Figures

Budgeted figures from the 16/17 Service Plan have been provided for comparison purposes.

15. Program Revenue

Destination BC Corp. earned the following program revenues during the year:

	(in $ thousands)	
	March 31, 2017	**March 31, 2016**
Merchandise sales, royalties and other	382	304
WorldHost	153	296
Remarkable Experiences Program	39	0
Reservations, commission and listings	4	402
Total program revenue	578	1,002

Appendix A: Additional Information

Corporate Governance

Destination BC is governed by a Board of Directors that is responsible to the Minister of Jobs, Tourism and Skills Training for the implementation of government direction. The Board's direction is implemented by management, which carries out the day-to-day operations of the Destination BC under the supervision of the Chief Executive Officer. For more information on Corporate Governance, please see our web pages on Leadership.

Organizational Overview

For an overview of Destination BC please see Destination BC's Organizational Overview.

Appendix B: Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the Minister responsible, Destination BC received direction on strategic priorities for the 2016/17 fiscal year. These priorities and Destination BC's resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation's Action
1. Collect, create and curate marketing content that inspires visits from key markets.	Launched: • Explore BC campaign in partnership with BC Ferries, BC Parks, ICBC, Parks Canada, Pacific Coastal Airlines, private tourism entities and a media agreement with Global TV / Shaw. Expanded and wrapped up the 2016 Explore BC program to encourage B.C. residents to: o Explore more of what their province has to offer for leisure getaway and vacation experiences. o Promote #exploreBC to share photos and comments. Reached 2.3 million posts of #exploreBC with visitors and residents sharing their experiences with people globally. • BC Explorer tool in August 2016 to drive peer-to-peer advocacy and drive business referrals to bcexplorer.com. • North America and global ski campaign in close collaboration with the Canada West Ski Areas Association (CWSAA) which includes B.C.'s 13 export-ready ski resorts. • Marketing program in Mexico ahead of the removal of Canada's visa requirement. • Marketing Strategy & Plan that included presentations to the Tourism Marketing Committee (TMC) plus tourism regions, sectors and industry. Partnered: • With Google and RDMOs to create content for marketing activities - specifically 183 treks over 983 kilometers, taken over 105 days, featuring more than 50 businesses, resulting in 40 terabytes of HD video footage and hundreds of compelling images. • With Destination Canada and other provincial DMOs on content marketing campaigns in Germany, UK, Australia, China and Japan. This includes offline and online advertising, social media, public relations programs and using tour operators as the call to action to drive sales. • With Destination Canada's Connecting America Program to capitalize on the growing U.S. market in locations such as San Francisco and Los Angeles. Other Actions: • Roll-out is ongoing of the *Super, Natural British Columbia*® brand across all of Destination BC's and regional marketing activities. We

	continue to train and empower tourism businesses to adopt the brand, including: o Developing new self-serve branding tool kits and webinars for industry; and o Aligning 24 new community consortia and sector groups with the brand as part of the new Co-op Program. • To date there are 1,400 images and over 3,000 video clips in Destination BC's image library. B.C.'s tourism industry will also use these assets to market B.C. to travellers across its key markets. • Virtual reality video 'The Wild Within' 360° experience has been showcased in all major global travel trade and media shows and events attended by Destination BC representatives. To date, over 1,000 clients have experienced the virtual reality experience in North America, China, Japan, Germany, UK and Australia. A new virtual reality video showcasing ski was launched in April 2016. • Destination BC hosted over 550 press trips (including supporting industry through the Visiting Journalist Program) from all of its key markets to generate earned media awareness for B.C. • Destination BC developed over 100 marketing promotions with key international tour operators. • HelloBC.com website, in support of the Accessibility 2024 action plan, provides information on accessible accommodations and attractions for visitors and citizens when they travel in British Columbia. Additionally, Destination BC has made investments in a mobile responsive website to ensure that users requiring the use of mobile devices have access to the content. • Data tagging program underway with ski resorts and other stakeholders, demonstrating broader impact of Destination BC's and partners' marketing activities.
2. Create and implement a strategy to enable industry and communities to form a powerful marketing network to make B.C. a stronger, more formidable global competitor.	Tourism Network Partnership: • Together with industry partners, drafted a business strategy and technology plan for jointly investing in innovative marketing capabilities which will ultimately enable tourism partners of all sizes to better compete on the global digital marketing battlefield. <u>Visitor Services Network:</u> • Community Visitor Centres across B.C. provided service to over 2.58 million visitors and interacted with a further 320,000 visitors through new 'roaming ambassadors' and 'mobile street team' programs. • Destination BC provided $300,000 in 2016/17 through the application-based Innovation Fund in support of 52 projects across B.C. that tested and documented approaches to providing visitor services such as mobile kiosks, roaming visitor counsellors, state-of-the-art touch screen kiosks and social media channels. <u>Remarkable Experiences Program:</u> • Fall and winter program participants underway. The program grew from 38 participants in pilot year of 2015 to 117 participants in

	2016/17. Co-op Marketing Partnerships Program: • Destination BC provided $4.3 million in 2016/17 through the application-based Open Pool funding in support of 59 sector and community consortium participants, involving 140 communities across B.C. Research & Evaluation: • Destination Canada and provincial counterparts are working towards establishing a consistent framework for tourism key performance indicators and information sets. • Destination Canada's Explorer Quotient® and Prizm tools are available to industry. Training was provided to sub-licensees.
3. Establish stable and predictable financial support for the Aboriginal Tourism Association of BC (AtBC) through a multi-year contract and work with AtBC to forge stronger connections with RDMOs and other government and tourism industry partners.	• Announced new 3-year funding support for AtBC. First year of new agreement is underway. • Supported the Ministry of Jobs, Tourism and Skills Training and Ministry of Aboriginal Relations and Reconciliation, and the consultants hired by Spayum Developments Ltd. on the development of a business case for a First Nations cultural centre for Nicola Valley First Nations. • Worked with AtBC's Marketing Director to provide access to and utilize new provincially licensed marketing tools, EQ and Prizm. • Worked with AtBC and local First Nations to encourage participation in destination development strategy sessions for planning areas across B.C. Convened meeting of Sunshine Coast First Nations to facilitate contributions to Sunshine Coast destination development planning.
4. Develop sub-regional destination development plans across the province to support and guide the creation of the tourism products and experiences that draw travellers and enhance the attractiveness of sub-regions as destinations.	• Provided program funding and oversaw the preparation of destination development strategies around the province. • Initiated planning processes and strategy development for eight planning areas across the province. 1. Sunshine Coast 2. West Kootenays 3. Northeast B.C. 4. Chilcotin Central Coast 5. South Central Island 6. North Okanagan Shuswap 7. Highway 3 Corridor 8. Greater Victoria area • Drafted preliminary identification of provincial destination development priorities. • Planned initiation of another six planning areas for next fiscal.
5. Work to develop opportunities to support government's commitments to *B.C.*	*B.C. On The Move*: • Completed Kettle Valley Rail Trail Remarkable Experiences program with businesses supporting cycle tourism on the trail. • Supported Thompson Okanagan Tourism Association (TOTA) with

on the Move, the *Accessibility 2024* strategy, and red tape reduction.	project specific resources to prepare a detailed tourism strategy for the Thompson Okanagan Regional Rail Trails. <u>*Accessibility 2024* Strategy:</u> • CEO: o Participated in Minister Stilwell's Presidents Council initiative supporting employment and access for people with disabilities. o Participated in ADM's Accessibility Committee. Accessibility plan in development. o Presented at Tourism Association of BC's (TIABC) Industry Summit on innovative sources of labour and the value of hiring persons with disabilities. • Other actions: o Supporting frontline training programs such as WorldHost's Customers With Disabilities (CWD) Program; o Five communities are improving accessibility of Visitor Services through the Visitor Services Innovation Fund; and o Promoting tourism-related initiatives such as key accessibility parks projects – Ancient Forest (Chun T'oh Whudujut) near Prince George, Liard River Hot Springs, Tow Hill, and Sea to Sky Gondola in Stawamus Chief Provincial Park. <u>Red Tape Reduction:</u> • Simplifying application processes and accountability reports for industry-focussed programs. • Refining Destination BC's communication tools for industry regarding programs, systems and market insights.